



Department of Justice

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JUSTICE DEPARTMENT AND TEXAS ATTORNEY GENERAL REQUIRE RESTRUCTURING OF TORTILLA FLOUR MERGER

Restructured Deal Preserves Competition Between Tortilla Flour Producers in the United States

WASHINGTON, D.C. -- In a joint antitrust settlement, the Department of Justice and the Texas Attorney General's Office today cleared a \$280 million deal between America's two largest tortilla flour manufacturers after the companies agreed to divest a flour mill in the Texas panhandle.

As a result of the restructuring, Archer-Daniels-Midland Co. will be permitted to acquire 22 percent of Gruma S.A. de C.V. stock, and will have to sell its masa flour mill in Muleshoe, Texas. The two companies will also be able to form a partnership to combine their U.S. masa flour milling operations.

Masa flour is produced by the milling of cooked whole-kernel corn, and is the primary ingredient in corn tortillas, taco shells and tortilla chips. More than one billion pounds of masa flour are produced annually in the U.S., with a wholesale value of between \$200 million and \$300 million.

Joel I. Klein, Acting Assistant Attorney General in charge of the Department's Antitrust Division, said, "Without this settlement, consumers would pay more for tortillas, chips, and other products because a single dominant firm would have been able to raise prices of masa flour, an essential ingredient."

As originally structured, ADM and Gruma would have merged the six domestic masa flour mills of the two firms, creating a single, dominant firm.

Approval of the deal is conditioned on the sale of ADM's masa flour mill in Muleshoe, Texas to Minsa S.A. de C.V., a masa flour producer currently operating mills in Red Oak, Iowa and Mexico. The sale of the Texas mill will ensure that the masa flour market in the United States remains competitive.

Gruma, a Mexican corporation, is the world's largest producer of masa flour. It conducts its U.S. masa flour business through its Azteca Milling Division, which produces masa flour at mills in Texas and Indiana.

ADM, based in Decatur, Illinois, produces masa flour through its Valley Grain Division, with mills in Texas, Kentucky and California. ADM is the second largest masa flour producer in the United States.

Minsa, the purchaser of the Muleshoe mill, has only recently begun producing masa flour in the U.S., but has extensive experience producing masa flour at its mills in Mexico. Minsa produces approximately one-quarter of the masa flour produced in Mexico, second in size only to Gruma.

The Department, in conjunction with the Consumer Protection Division of the Office of the Attorney General of Texas, conducted an in-depth investigation of the transaction and the masa flour industry in general to determine whether the deal would reduce competition.

This is the tenth joint antitrust enforcement action conducted by the Antitrust Division and state attorneys general in the past two years. Working closely with state enforcers on matters of mutual interest has been a priority of the Antitrust Division.

In response to serious competitive concerns brought to light by the investigation, ADM and Gruma agreed to find a suitable buyer for the Muleshoe mill.

Klein cited this case as another example of the Department's efforts to work with parties to remedy competitive problems that arise so that transactions can proceed once competitive concerns are addressed.

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